



Decisions on Housing Types Affect Future Tax Revenue

Posted by [Pierluigi Oliverio](#) on Monday, November 08, 2010

Unfortunately, not all housing developments create the same economic value in areas assigned to the Redevelopment Authority (RDA). Last week, the council approved financing for an affordable housing development on North 4th Street in a RDA area. Since the housing developer is a non-profit, the development is exempt from paying property tax.

In addition, the fees that are paid for a market-rate development—road paving fees and park fees, to name two—are exempt from this project as well and all other projects like them. (Point of clarification, this project was entitled prior to the Council cutting the park fee requirement in half for affordable housing. I remain committed to my support of 100 percent park fees for affordable housing developers).

Locating affordable housing in an RDA area creates a lost opportunity for tax increment revenue for RDA ,since projects are exempt from property tax. As a result this type of housing does not fund ongoing city services in non-RDA areas that the new residents will require (usually at a higher rate than market-rate housing). It also shortchanges the RDA because RDA needs the tax increment from the increase in property value which then could be invested towards economic development. This housing development is a financial loss and therefore I voted no.

One way to fix this is to require that affordable housing be built by a for-profit developer so it would be subject to property tax. We would still provide affordable housing but it would help to carry its own weight in paying for city services.

At the same meeting, the Council agreed to a multi-year exemption for four north San Jose housing developments from the citywide inclusionary housing policy, which may bring in over \$1 billion in private-sector spending. The current San Jose inclusionary policy has been blocked in the short term for apartments only by the Palmer

court case. These developers would commit to start their housing projects by September 2011 to qualify for the exemption; however they want to make sure the exemption would not change half way through construction if the State Legislature passes a law to circumvent the Palmer case. This is an example of how an inclusionary housing policy raises the cost for the developer and inevitably increases the price for the market-rate units.

The short-term benefit would be thousands of construction jobs and city planning jobs for these 4,000 housing units that were approved as part of the Vision North San Jose plan ,where the city already has public infrastructure like roads, sewers, street lights, etc. The long-term benefit is that these housing developments are market rate and pay property tax. When the construction is complete the property is reassessed and that increase in value creates millions of dollars in tax increments to fund the RDA each year—ideally to be spent on economic development.

These market-rate developments will also provide 100 percent park fees, creating large parks since they are all high-density developments and the park fees are paid on total amount of units. More housing units per acre equals more park fees.

Tomorrow night Council will consider a new policy (I support) allowing these apartment developments to donate maintenance services for parks so there would be no cost to the City, but enabling residents to enjoy a well-maintained park. They will also pay 100 percent of the road paving fees. If a city has a RDA to create tax-increment revenues, then ideally each parcel in that RDA area should be strategic for revenue growth.

Please consider attending the Veterans Day parade in Downtown San Jose this Thursday. The ceremony is at 11am and parade is at noon. 1919 was the first Veterans Day event in Downtown San Jose and it is an opportunity to honor those who have served in our military.

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